FORRESTER®

Think Spreadsheet Risk Isn't A Threat? Think Again.

Why companies that prioritize mitigating spreadsheet risk are better positioned to protect customers, revenue and reputation.

Get started ⟶

Overview

Situation

Challenge

Opportunity

Conclusion

Introduction

All manner of businesses today make critical business decisions — from financial planning and product development to compliance — from information stored on spreadsheets. However, hidden within each of these spreadsheets is inherent risk — risk that formulas are not repopulating correctly, risk that coworkers are using different versions of a saved spreadsheet, and risk that information is hidden behind formatting.

Despite being flexible and convenient, spreadsheet-enabled processes are manually driven and prone to errors, accidental or intentional. Business decisions based on inaccurate data may be consequential and could impact revenue, reputation, compliance, and brand.

In March 2019, Incisive Software commissioned Forrester Consulting to evaluate spreadsheet risk. We found that while most organizations recognize the challenges of working within spreadsheets, many do not know how to mitigate this risk.

Key Findings

Spreadsheets power daily business decisions across all manner of departments and teams and are the primary tool for many critical financial, revenue, and risk-related activities.

While many recognize that spreadsheets carry risk, most don't know where to begin to mitigate this risk.

Spreadsheet risk carries real implications for not only employees, but customers and shareholders.

Benefits abound for organizations that have implemented platform solutions that mitigate spreadsheet risk, as they are empowered by a deeper trust in data and reduced risk exposure.

Overview

Situation

Challenge

Opportunity

Conclusion

Spreadsheets Fuel Critical Business Decisions

Companies use spreadsheets to model quantitative processes and manipulate data sets, create graphical visualizations, and inform future planning and decisions.

Over 35% of finance and accounting departments regularly use spreadsheets to fuel their decision making; 31% of operations departments (including sales operations and marketing operations) rely on spreadsheets; and nearly one in five governance, risk, and compliance professionals depends on spreadsheet accuracy.

The decisions these teams make are only as good as the information that fuels them. The accuracy of and confidence in spreadsheet data is business-critical. These decisions can significantly impact financials and revenue, so it's critical that companies protect themselves against spreadsheet risk.

> **Nearly 60% of critical business processes such as sales compensation, product tracking, and pricing configurations require 1,000 or more complex spreadsheets to execute.**

Top tasks performed

Auditing and controls
49%

Comparative analysis
45%

Financial model development
42%

Compliance
41%

Financial planning and analysis
38%

Customer-/account-specific data analysis
37%

Departmental budgeting/forecasting
36%

Corporate performance reporting
36%

Overview

Situation

Challenge

Opportunity

Conclusion

Spreadsheets Are The Dominant Medium For Business-Critical Tasks, They Continue To Be Left Out Of DX Efforts
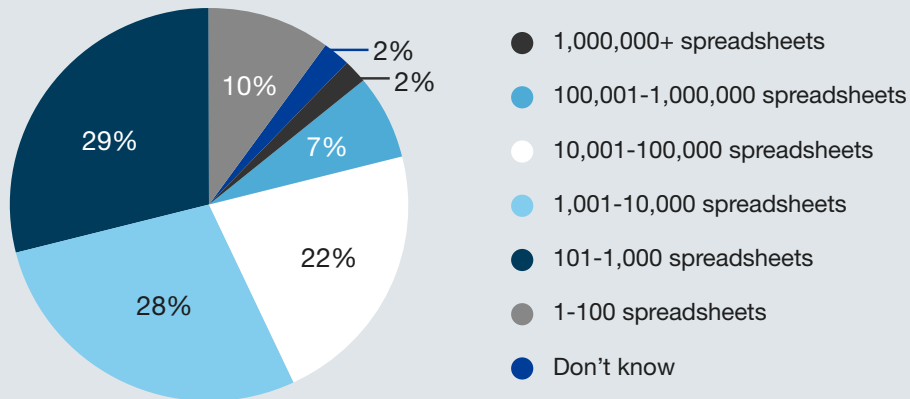
For decades, organizations of all sizes and sectors have embraced spreadsheets as a critical business tool. Many businesses running revenue management, business planning, and risk management functions rely, at least in part, on spreadsheets.

88% of organizations use over 100 spreadsheets regularly to make critical decisions; 59% use over 1,000 spreadsheets.

"Approximately how many complex and customized spreadsheet files does your organization use on a regular basis to support critical business processes?"
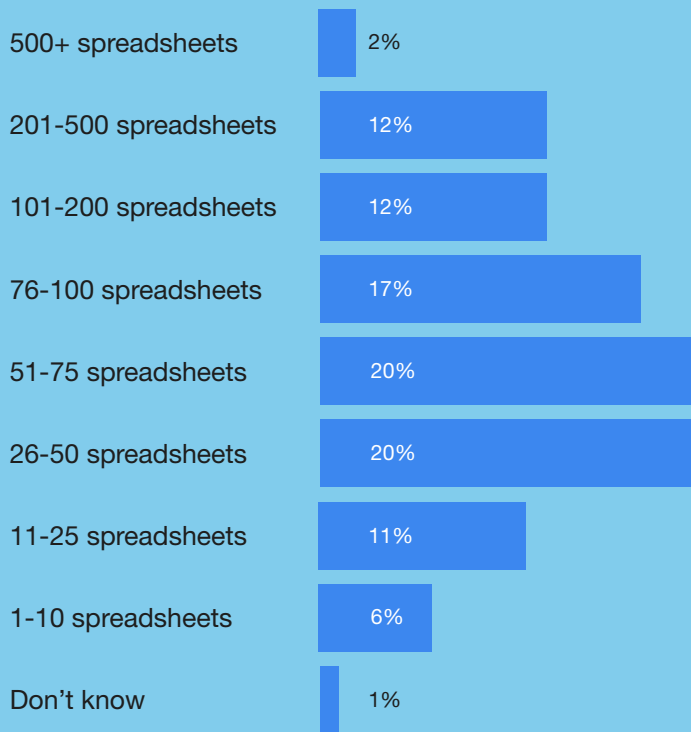

- ● 1,000,000+ spreadsheets
- ● 100,001-1,000,000 spreadsheets
- ○ 10,001-100,000 spreadsheets
- ● 1,001-10,000 spreadsheets
- ● 101-1,000 spreadsheets
- ● 1-100 spreadsheets
- ● Don't know

29% 10% 2% 2% 7% 22% 28%

Base: 179 North Americans using spreadsheets for business-critical tasks at their organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of Incisive, March 2019

Spreadsheets Are The Dominant Medium For Business-Critical Tasks, They Continue To Be Left Out Of DX Effort

While digital transformation efforts are continuing to drive automation within businesses, spreadsheets remain pervasive, and managing these spreadsheets is often disconnected from digital transformation efforts/strategies. The sheer volume of spreadsheets that businesses rely on is staggering. Eighty-eight percent of individuals surveyed use more than 100 complex and customized spreadsheets to support their critical business processes; in fact, almost a third of respondents noted that their organizations use over 10,000 spreadsheets on a regular basis.

Overview

Situation

Challenge

Opportunity

Conclusion

"Approximately how many complex and customized spreadsheets does your immediate team use on a regular basis to support critical business processes?"

500+ spreadsheets	2%
201-500 spreadsheets	12%
101-200 spreadsheets	12%
76-100 spreadsheets	17%
51-75 spreadsheets	20%
26-50 spreadsheets	20%
11-25 spreadsheets	11%
1-10 spreadsheets	6%
Don't know	1%

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Source: A commissioned study conducted by Forrester Consulting on behalf of Incisive, March 2019

THINK SPREADSHEET RISK ISN'T A THREAT? THINK AGAIN.

Spreadsheet Risk Puts Your Company's Revenue And Reputation On The Line

A company's board of directors has a fiduciary responsibility for governance and oversight over risks that have the potential to impact shareholder value or tarnish the reputation of the company. And as the news of corporate calamity compounds daily, expect boards of directors to be paying closer attention to risk exposure than ever before.

Spreadsheets play a greater role in the risk and compliance process than one may think. Despite easy manipulation and a lack of inherent controls, nearly 50% of companies still rely on spreadsheets alone to do their auditing and controls — a process necessary for risk assessment and compliance management.

The reliability and accuracy of spreadsheet-driven processes are more difficult to validate and may require much greater scrutiny from senior management and board-level executives; at the same time, regulators who are looking to evaluate the effectiveness of controls will want to ensure spreadsheet accuracy at every step of the way. Failure to meet regulatory requirements could potentially cost you real dollars in fines and reputation risk.

"Which of the following best describes the tool(s) that you use to complete the following tasks?"

● Spreadsheets ● A combination of spreadsheets and other databases/reporting tools

Auditing and controls
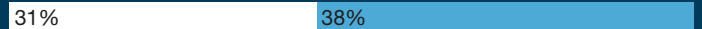48% | 23%

Corporate performance reporting
23% | 47%

Comparative analysis
44% | 25%

Model validation
38% | 31%

Financial planning and analysis
31% | 38%

Departmental budgeting/forecasting
37% | 31%

Revenue recognition/sales compensation
36% | 30%

Financial disclosures and SEC filings
31% | 35%
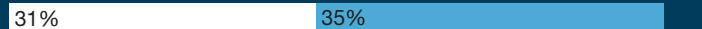
THINK SPREADSHEET RISK ISN'T A THREAT? THINK AGAIN.

Spreadsheet Risk Can Diminish Your Competitive Advantage

With poor spreadsheet controls, you could be putting your customers' personal information at risk. As a result of major breaches involving customer data, consumers no longer trust businesses with their data. Over a third of customer/account data analysis is purely manual and contained within spreadsheets; another third is done within a combination of spreadsheets and other databases. This exposes organizations not only to poor analysis, but also to customer data breaches. Companies that don't take privacy and security seriously will send their customers running to competitors in no time.

In addition to potentially exposing customer data to malicious actors, spreadsheets are powering key aspects of the customer experience journey, from procurement to product planning. Nearly 40% of organizations solely rely on spreadsheets for procurement spend analysis; nearly a third rely on spreadsheets for product planning. This further underlines the pervasive impact of spreadsheets within an organization; organizations regularly make both top- and bottom-line decisions under the assumption that data found within spreadsheets is not only accurate, but also complete.

FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY INCISIVE
SOFTWARE | MAY 2019

"Which of the following best describes the tool(s) that you use to complete the following tasks?"

● Spreadsheets   ● A combination of spreadsheets and other databases/reporting tools
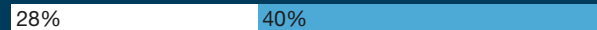
Procurement spend analysis
39%   41%

Product planning
28%   48%

Customer-/account-specific data analysis
36%   36%

Comparative analysis
44%   25%

Pricing
28%   40%

Payroll
32%   34%

Inventory planning/forecasting
29%   35%
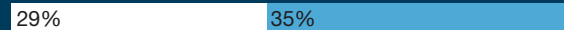
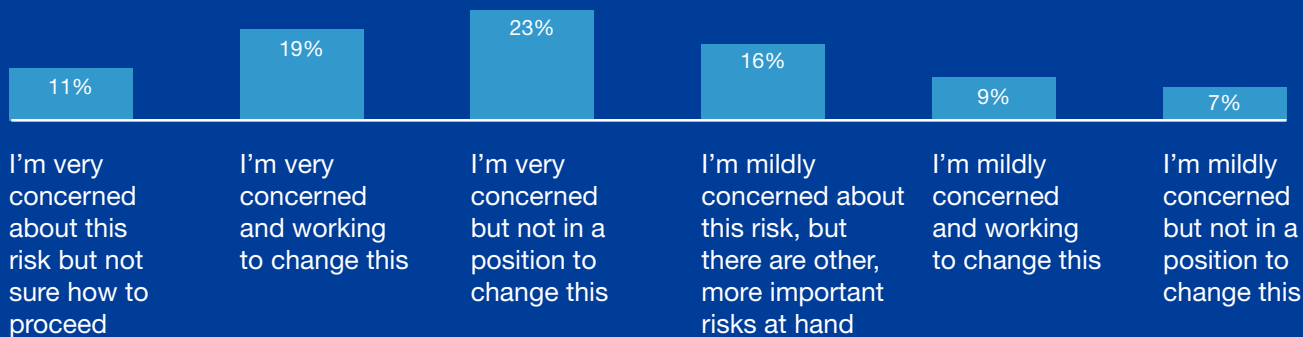# Businesses Are Aware Of Spreadsheet Risk — But Few Are Making Changes

Despite this intrinsic reliance on spreadsheet data to make critical decisions, many professionals are unable, or unwilling, to identify risks inherent in spreadsheets. In fact, while 32% of respondents noted that they were mildly concerned with their organizations' understanding of potential risks inherent in spreadsheets, only 9% were actively working to change their organizations' approaches.

Similarly, while 53% of respondents were very concerned with the idea of spreadsheet risk, only 19% were actively working to change their risk exposure — 23% believed they were not in a position to change their organizations' approaches, and 11% did not understand where to begin tackling the problem.

> While the majority of respondents report a very high level of concern with inherent risk, fewer than 20% feel empowered or ready to tackle the problem.

"How would you rate your organization's understanding and concern of potential risk inherent in these spreadsheets?"

11%	19%	23%	16%	9%	7%
I'm very concerned about this risk but not sure how to proceed	I'm very concerned and working to change this	I'm very concerned but not in a position to change this	I'm mildly concerned about this risk, but there are other, more important risks at hand	I'm mildly concerned and working to change this	I'm mildly concerned but not in a position to change this

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Spreadsheet Risk Is Real, But Companies Don't Know Where Or How To Start Mitigating The Risk
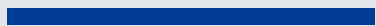
Although many professionals recognize the inherent risk in spreadsheet data, many noted that they either do not know where to begin with addressing this risk or see themselves as not in charge of solving that problem. Notably, over a third of respondents reported that spreadsheet risk is not a priority at their organizations, and 32% stated that while they recognize the risk in spreadsheets, management does not. Perhaps that's because the problem seems overwhelming and expansive — 52% of respondents stated that their organizations have too many spreadsheets to even begin to manage them.

The risk is real — and many frontline workers recognize this. However, nearly a third of respondents noted that management doesn't recognize this risk, underscoring the fact that C-level executives are making decisions based on data assumed to be accurate, but that can contain errors.

"What challenges does your organization/ department face in identifying and managing spreadsheet risk?"

(Select all that apply)

52%
There are too many spreadsheets, with no central organizational system

45%
We have limited time/resources to manage these risks

37%
Spreadsheet risk is not a priority

32%
Management doesn't realize it's a risk, but I do

30%
We haven't really thought about it

20%
We have no formal QA processes in place

Nearly a third of respondents noted that management doesn't recognize this risk, underscoring the fact that C-level executives are making decisions based on data assumed to be accurate, but that can contain errors.
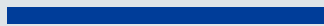
Base: 179 North Americans using spreadsheets for business-critical tasks at their organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of Incisive, March 2019

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Automated Platform Solutions Manage Spreadsheet Risk

Businesses make critical decisions based on spreadsheets. And while they recognize this as being rife with risk, many know that spreadsheets will continue to power their businesses and are looking to automated solutions that can mitigate their risk exposure.

Many are looking for a spreadsheet management platform with not only a low total cost of ownership but also easy integration into their existing workflows. Ease of end user adoption — rated as the third-most important quality in a spreadsheet management software — is the key to truly managing risk. Without the whole organization's buy-in, risk will remain rampant through the organization. With a holistic approach to risk management, organizations can feel confident in mitigating their risk exposure.

> **An enterprise approach to risk management, as outlined in ISO 31000 and NIST frameworks, helps companies improve their ability to identify, manage, and monitor risks holistically.**

What criteria do/would you look for in a spreadsheet management software platform?

Ease of ongoing maintenance/easy upgrade path, low total cost of ownership
57%

Ease of integration into our workflows
56%

Ease of use/user adoption
52%

Price/value
49%

Reputation of the software provider
47%

Continual product innovation
43%

Limited IT involvement
43%

No custom development required/end user configurable
36%

Overview

Situation

Challenge

Opportunity

Conclusion

Businesses That Have An Enterprisewide Spreadsheet Management Platform Reduce Risk

Businesses that have already adopted a spreadsheet management platform have experienced not only an improved ability to meet audit and compliance requirements, but also reduced risk exposure and improved data quality. Importantly, this improved data quality translates into greater confidence in business decisions made based on the data — nearly a third recognize that with a spreadsheet management platform, they have greater confidence in the data and as a result are making better decisions.

As the types of risks continue to grow, expect to see more boards of directors take greater interest in spreadsheet risk management initiatives — since a brand's reputational hit is a direct hit on the board as well.

Accurate data builds accurate business decisions — without a strong foundation in correct and trustworthy data, executives can be misled.

"What benefits has your organizations realized since adopting an enterprise spreadsheet management platform?"
(Select all that apply)

Benefit	%
Improved data quality	50%
Improved ability to meet audit and compliance requirements	47%
Better visibility into spreadsheet errors	42%
Improved productivity from our teams	40%
Better business decision making resulting from data confidence	31%
Greater confidence in our spreadsheet accuracy	30%
Reduced operational risks and costs	29%

Base: 159 North Americans using spreadsheets for business-critical tasks at their organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of Incisive, March 2019

Overview

Situation

Challenge

Opportunity

Conclusion

Conclusion

Companies need to be agile to compete; business decisions need to be made quickly and must be informed by accurate, timely, and consistent information. And, for many organizations, the critical data that is used to inform high-value decisions is locked within spreadsheets, which inherently carry risks.

While many companies have initiated digital transformation efforts, managing spreadsheets has often been left out of the mix. A spreadsheet management software solution should be a part of coordinated digital transformation efforts to ensure that risks associated with spreadsheets are not only managed accurately but also mitigated across the company.

At the same time, companies today must respond quickly to digital disruption, geopolitical events, market volatility, cybersecurity threats, and data privacy concerns to stay competitive. They hold a fiduciary responsibility to ensure that shareholders maximize the value of investments; a potential breach of reputation — either from security concerns or from poor data informing decisions — has a direct impact on shareholder value. If your organization is not taking

spreadsheet risk management seriously, you are exposing your organization to undue risk and potentially devaluing your brand.

Organizations that prioritize mitigating spreadsheet risk are better positioned to protect customers, revenue, and reputation, and modern technology solutions are available to support these businesses as they start to prioritize spreadsheet risk management.

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Contributing Research:
Forrester's Securities & Risk research group

Methodology

This Opportunity Snapshot was commissioned by Incisive Software. To create this profile, Forrester Consulting developed custom survey questions asked of 170 North American professionals who routinely make business-critical decisions based on data in spreadsheets.

The custom survey began and was completed in March 2019.

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Demographics

INDUSTRY*

21%: Professional services

20%: Energy and utilities

21%: Financial services

20%: Media

20%: Telecommunications

POSITION

30%: C-level

17%: Vice president

23%: Director

30%: Manager

TOP 4 DEPARTMENTS REPRESENTED

17%: Finance

13%: Business operations

12%: Accounting

11%: IT operations

COMPANY SIZE

24%: 500 to 999 employees

38%: 1,000 to 4,999 employees

25%: 5,000 to 19,999 employees

13%: 20,0000 or more employees

percentages do not total to 100 due to rounding

Overview

Situation

Challenge

Opportunity

Conclusion

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